



NEWS

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This is an unofficial announcement of Commission action. Release of the full text of a Commission order constitutes official action.
See MCI v. FCC, 515 F 2d 385 (D.C. Circ 1974).

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INTERIM CAP CLEARS PATH FOR COMPREHENSIVE REFORM

Commission Poised to Move Forward on Difficult Decisions Necessary to Promote and Advance Affordable Telecommunications for All Americans

Washington, D.C. – The Federal Communications Commission yesterday adopted an interim cap on payments to competitive eligible telecommunications carriers (ETCs) under the Universal Service Fund (Fund).

This action was a crucial first step toward comprehensive reform of Universal Service and intercarrier compensation, two carrier compensation regimes that are directly interrelated. Such comprehensive reform is critical to ensuring the continued provision of affordable telecommunications for all Americans.

Universal service support for carriers serving rural, high-cost areas is based on a formula that looks at a carrier's costs and revenues, both from end users and from intercarrier compensation. Many rural carriers currently collect a significant percentage of their revenues from intercarrier compensation in the form of interstate and intrastate access charges. If intercarrier compensation revenues are decreased, demand on the Fund increases as offsetting support payments go up.

Because competitive ETCs currently receive support based not on their own costs and revenues, but on the costs and revenues of the incumbent rural carriers, universal service support to competitive ETCs would increase dramatically in the event intercarrier compensation rates declined. Until the Commission took the necessary first step of capping support to those competitive ETCs, any attempt to reform intercarrier compensation would have resulted in even more explosive growth of the Fund. "Capping support for competitive ETCs was a critical first step," stated the FCC's Wireline Competition Bureau Chief Dana Shaffer. "It will control the growth of the Fund while the Commission considers options for more fundamental reform."

The Commission's action to cap competitive ETC support, as proposed by Chairman Martin six months ago, will stabilize the Fund, enabling the Commission to now move forward expeditiously on comprehensive reform of both the universal service program and intercarrier compensation.

Commenters wishing to refresh the record on open dockets addressing Universal Service and/or intercarrier compensation reform are encouraged to do so promptly. Dockets addressing such reform include:

- Intercarrier Compensation Reform Rulemaking Proceeding, CC Docket No. 01-92
- Intercarrier Compensation for ISP-Bound Traffic, CC Docket No. 99-68
- Federal-State Joint Board on Universal Service, CC Docket No. 96-45
- Universal Service Contribution Methodology, WC Docket No. 06-122
- High-Cost Universal Service Support, WC Docket No. 05-337
- Comprehensive Review of the Universal Service Fund Management, Administration, and Oversight, WC Docket No. 05-195

Other proceedings that raise these and related issues include:

- Lifeline and Link-Up, WC Docket No. 03-109
- Rural Health Care Support Mechanism, WC Docket No. 02-60
- Schools and Libraries Universal Service Support Mechanism, CC Docket No. 02-6
- Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers, CC Docket No. 00-256
- Changes to the Board of Directors for the National Exchange Carrier Association, Inc., CC Docket No. 97-21
- Jurisdictional Separations and Referral to the Federal-State Joint Board, CC Docket No. 80-286

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